(3) The proportion of the class members who do not object or who affirmatively support the proposed settlement;

(4) The competency and experience of counsel who support the settlement;

(5) The relative benefits to be received by individuals or groups within the class;

(6) The nature and breadth of releases to be obtained by the directors and officers as a result of the settlement; and,

(7) The extent to which the settlement is truly the product of arm's length bargaining, and not of fraud or collusion.

Whether articulated in the TMT Trailer Ferry terms -- "the probabilities of ultimate success should the claim be litigated" -- or in Texaco terms, those focusing on the likelihood of success in the form in which I quoted them above -- I think the first factor, which I weigh heavily, plainly favors approval.

In my view, if the debtors were to litigate entitlements to interest on the thousands of trade proofs of claim, they would have mixed results, with mixed incremental gains and losses, by reason of the variances in contractual terms from one agreement to the next, differences in the law amongst the thirty-one states whose substantive law would

have to be applied, and differences in the application of the law to each of those agreements. It is arguable, but by no means clear, that the debtors could prevail on the argument that a common federal judgment interest rate would apply to all non-interest-bearing claims, and it is even less clear that they would necessarily prevail on claims where a stated interest rate appeared on an invoice.

In that connection, many of the vendors' invoices called for interest on unpaid amounts of one and a half to two percent per month, which, if honored, would have resulted in claims for interest of from eighteen percent to twenty-four percent annum. Though it's now nearly forty years ago, I still remember the difficult "Battle of the Forms" issues we dealt with in law school, and I consider them, at the least, more than fair game for litigation. And once one gets past the offer and acceptance issues associated with battles of the forms, there are separate issues as to whether contracts seemingly including such interest provisions should or should not be regarded as contracts of adhesion -- remembering that here we are not talking about unsophisticated consumers being bound by those forms, but rather by a multi-billion-dollar business entity.

I also recognize that the litigation might also involve, apart from contractual and civil procedure issues, issues as to discrimination amongst creditors or the

equitable fairness of the proposed settlement, in a manner akin to those I've addressed above on pendency interest. In this respect, Adelphia could certainly argue for a lower rate, but it would have to do so in the context of other creditors getting pendency interest of from six percent on the low end to 11.875 percent on the high end -- a rate environment in which the eight percent that would go to the trade claims holders would hardly stand out. There would be differences in circumstances of course -- not the least of which is that the interest rate is typically one of the most heavily bargained-for aspects of funded debt. But on the other hand, the holders of trade claims could legitimately argue that of all the creditor groups, they were the ones that benefitted least from the substantial time that this case took to reorganize. They were structurally senior to almost everybody, and didn't need such a long time to generate enough value to pay them in full. They were denied the opportunity to get their distributions quickly and reinvest those distributions elsewhere, while the debtors focused on maximizing value for everyone else. On the merits, this argument would have some force.

Turning to the second factor, the burden and complexity of the litigation, which I also weigh heavily, the facts here likewise strongly support approval of the settlement. The debtors have spoken of having 18,000 proofs

of claim, and while the number of those that are trade claims has not been made clear, it is at least likely that they represent a large proportion of the total. They were filed against debtors doing businesses in thirty-one states, and representing thousands of individual contracts. (Since some proofs of claim may combine claims on multiple contracts, and others may involve master contracts, I assume this number may be more or less, but plainly it would require review of all those proofs of claims to find out.) If the matter were to be litigated, the debtors would be faced with the significant burdens of (a) reviewing each agreement or instrument supporting a particular rate of interest payable on the claims; (b) in the event no agreement exists, determining the state in which the claim arose to award the correct state judgment rate of interest; and (c) litigating the entitlement to interest reflected in invoices and purchase orders and litigating whether such documents constitute "contracts" for purposes of payment of pendency interest. And then, as I noted, addressing the battle of the forms, and then addressing the extent to which they might be regarded as contracts of adhesion.

At the outset of argument, I wondered whether the interest rate agreed on might be slightly high, thinking that I would have regarded the perfect settlement amount to be six percent, rather than eight percent. But I came to realize

that this was an insufficient basis to disapprove the settlement, both for factual reasons, which I'll discuss momentarily, and legal ones; the latter referring to the point that I previously discussed: That a bankruptcy court's review is not based on such a test, what the Bankruptcy Court might have done or what it might have preferred, but rather on whether the settlement falls below the lowest point in a range of reasonableness.

At the outset, I had assumed -- now I believe unrealistically -- that because at the time Adelphia had its headquarters in Pennsylvania, which has a six percent interest rate, its claims would bear at most the six percent interest rate under Pennsylvania law. But it later became clear that the trade claims at least arguably arose much more locally, where Adelphia has its subscribers and field operations, resulting in an array of arguably applicable interest rates, with those in several jurisdictions where Adelphia has the most subscribers - for example, California, with its ten percent interest rate, and New York, with its nine percent rat -- higher than the eight percent that was agreed on. I also was reminded of the invoices claiming interest entitlements of from eighteen to twenty-four percent per year, as I have noted above, dramatically increasing the stakes in losses over applicable interest rate issues. All of this would make litigating all of these issues a

litigation nightmare. To say there would be a "prospect of complex and protracted litigation if the settlement is not approved" would be the understatement of the decade.

With respect to the third Texaco factor, which is adapted from civil class action litigation and which translates imperfectly into a bankruptcy context, I consider this factor, but give it only modest weight. Here, some constituencies favor the settlement, but I sense that a greater number oppose it. But as I held in my ruling on the DoJ-SEC settlement, the approval of a settlement cannot be regarded as a counting exercise. Rather, it must be considered in light of the *reasons* for any opposition, and the more fundamental factors -- such as benefits of settlement, likely rewards of litigation, costs of litigation, and downside risk -- described above. And as counsel for the FrontierVision Bondholders observed, making a point that I regarded as significant, there can come a time in a case when it's important to get issues resolved and to reach closure on outstanding issues. And some constituencies recognize this sooner than others do.

I also note in this connection that the settlement interest rate is the same as the settlement interest rate in the settlement recommended by the Creditors' Committee in the fall of 2004. Of course, the circumstances now are not quite identical to those then. But the underlying issues that

would be the meat of any litigation do not differ, especially in material respects, and since that time the estate has had a greater need to get issues behind it to bring this case to a successful conclusion; and, if it can meet the standards for confirmation, getting its deal with Time Warner and Comcast done, so that it can deliver value to creditors in these cases.

The fourth Texaco factor -- the competency and experience of counsel who support the settlement -- while not as important as factors such as the chances of success and the burdens of litigation -- likewise favors approval of the settlement. The fifth and sixth Texaco factors are not applicable to any material extent here. The seventh factor -- the extent to which the settlement is the result of arm's length bargaining and is not collusive -- is, as I noted in my earlier settlement decision, of great importance when it is lacking, but of only modest importance in other cases. Here, there is no basis for a conclusion that the settlement at this rate was anything other than an arm's length deal.

For the foregoing reasons, I can easily make the Penn Central and W.T. Grant findings. This settlement falls well "within the reasonable range of litigation possibilities." I find that the eight percent rate to be provided under the settlement is fair and equitable, and it is approved.

We're now going to take a five-minute recess, at which time counsel can get ready for the disclosure statement hearing.

I will note only one other thing before we take the recess.

As most of you know, we have had discussions as to whether one of my judicial colleagues should act as a facilitator; in fact, I think we used the words "hall monitor," to assist parties in the resolution of the MIA. My colleague Judge Morris will act in such a role.

I would request either or both of the debtors or the Creditors' Committee to act as a mechanical facilitator to help get the parties together with Judge Morris, so that she can assist me in that regard.

We will now take a five-minute recess, at which time I'll take the disclosure statement matters immediately thereafter.

(Proceedings concluded at 9:54 a.m.)

*****

CERTIFICATION

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter to the best of my knowledge and ability.

Coleen Rand

April 28, 2006

Coleen Rand
Certified Court Transcriptionist/Agency Director
For Rand Transcript Service, Inc.

EXHIBIT E

Bench Ruling from *In re Loral Space & Communications Ltd.*

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - - - - - - - - - - - - -x

In the Matter of

LORAL SPACE & COMMUNICATIONS LTD., et al., 03-41710 (RDD) 03-41709 to 03-41728

Debtors.

- - - - - - - - - - - - - - - - -x

July 25, 2005
3:00 p.m.

United States Custom House
One Bowling Green
New York, New York 10004

CONFIDENTIAL TRANSCRIPT

BENCH RULING in the Matter of Loral Space & Communications Ltd. and Space Systems/Loral, Inc.

B E F O R E:

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U.S. Bankruptcy Judge.

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P R O C E E D I N G S:

THE COURT: Please be seated.

All right. First, in looking at the audience, I assume there are people here who have not signed a confidentiality agreement with Loral; is that correct?

Because of that and because of the fact that a small but important part of the record was prepared under seal and a part of my ruling relates to that part of the record, I'm going to go a little bit out of order and give that part of my ruling first. So, therefore, those of you who are not bound by a confidentiality agreement with Loral should leave now. That part of my ruling will only last five or ten minutes, and then someone will come back and get you for the bulk of my ruling. So anyone who has not signed a confidentiality agreement with Loral needs to leave the courtroom now, and someone will come and get you.

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THE COURT: All right, as I just noted, I'm going to address two parts of my ruling now somewhat out of order because of the need to keep them confidential, for Loral's business reasons and for the benefit of the estates, and then go to the bulk of my opinion and call the audience back.

As with all of my bench rulings, I will review the transcript after it's prepared and reserve the right and discretion to correct it for errors, and my own errors, and make sure the citations are correct. The following constitutes a part of my ruling on Loral's request for confirmation of its fourth amended joint plan, as well as the motion by the equity committee for leave to pursue fraudulent transfer litigation in respect of the Orion notes or, more properly, the guarantee of those notes issued by Ltd.

PAGE 5 LINE 20 THROUGH PAGE 19 LINE 21

ARE FILED UNDER SEAL

PER JUDGE DRAIN'S ORDER AT THE HEARING

Okay, could someone let the folks in? And that ends the sealed portion of the transcript.

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THE COURT: All right. Let me continue with my ruling on the request by Ltd. and its subsidiary debtors for confirmation of their joint Chapter 11 plan.

Based on my review of the plan and disclosure statement, several days of testimony, the briefs, and the exhibits, I find that the debtors have satisfied the requirements of Sections 1129(a) and (b) of the Bankruptcy Code, and that the plan should and will be confirmed.

I will discuss primarily those sections or elements of Sections 1129(a) and (b) as to which objections were raised, but I should note, before I get to those objections, that Loral has satisfied all of its burdens under 1129(a), including in respect of feasibility under Bankruptcy Code Section 1129(a)(11) and best interests under Bankruptcy Code 1129(a)(7), which were not objected to.

The primary objections to the plan go to the plan's proposed cramdown of the preferred and common shareholder classes, who would receive no recovery under the plan. In addition, there is an objection as to whether the plan is in good

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faith, as required under Section 1129(a)(3) of the Bankruptcy Code.

Let me address the cramdown objections first. They hinge obviously on the assertion that Ltd., the parent and issuer of the preferred and common stock, is solvent, and that therefore the unsecured creditors of Ltd., and potentially creditors of the subsidiary debtors, as well, are receiving more than full recovery on their claims under the plan and thus that the plan improperly deprives the shareholders of their rightful recovery.

I conclude, based on my review of the expert reports and testimony of the three investment banking firms retained in the case, as well as the testimony of Mr. Schwartz and the arguments and exhibits raised and introduced by the informal Loral Stockholders Protective Committee, or "LSPC," that in fact Ltd. is insolvent. Let me summarize those findings first, and then I will go into some detail as to my reasons for them.

I base my conclusion primarily upon my review of the analyses done by the three experts: Greenhill, Jeffries and Chanin, retained

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respectively by the debtors, the creditors' committee, and the official equity committee. Those experts employed traditional and well recognized methodologies for valuing companies of this kind. Each expert considered a going concern valuation of Ltd. based on its two core business segments, as well as other miscellaneous assets. Each expert considered whether to apply a discounted cash flow method, a comparable transaction method, and a comparable companies method, in placing a value on those assets together as a going concern. The first segment, if you will, of Ltd.'s value is SS/L. There, as a midpoint, minus the EBITDA attributable to its projection for government contracts, Chanin came to a value of approximately $275 million, Jeffries came to a value of approximately $202 million, and Greenhill came to a value of approximately $97 million.

In considering what would be a proper valuation of SS/L, I, of course, noted the large difference between Greenhill and the other two experts. That difference is largely attributable to Greenhill's method for ascertaining

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the terminal value on a DCF basis of SS/L. Unlike the other two investment bankers, Mr. Robins of Greenhill applied a perpetual growth methodology to determine that terminal value. The equity committee pointed out potential flaws with that choice, including its assertion that the percentage of 1 to 3 percent applied by Greenhill in that methodology was too low. Frankly, I don't accept that it was too low as a matter of gauging inflation, given the last 25 years or so of inflation trends introduced into evidence. However, I did, in the end, rule out the Greenhill valuation for SS/L, because, to me, it appeared to be simply too low in comparison to the liquidation value of the company, and everyone's desire in this case is to keep SS/L in business.

Instead I focused on the valuations of SS/L prepared by Chanin and Jeffries. And basically on my review of those two valuations and the differences between them, I determined that a reasonable value for SS/L was 230 million dollars. The main difference between Chanin's and Jeffries' valuation of SS/L stemmed from the fact that Chanin, like Greenhill, weighted it's valuation one

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hundred percent on the discounted cash flow methodology, whereas, Jeffries gave 30 percent of its weighting to a comparable companies methodology. All of the investment bankers, by the way, determined that there were no relevant comparable transactions upon which to do a valuation of SS/L, except for one that was somewhat dated and for which information was not particularly reliable, the Hughes/Boeing transaction.

Jeffries acknowledged that there was no clear comparable company to SS/L; however, I gave some weight to Mr. Derrough's testimony that based upon, first, the similarities between Orbital Sciences and SS/L, as well as his own and one of his colleague's experience with Orbital Sciences, its stock price could be used as a comparable measure for determining SS/L's value. Particularly since, according to Mr. Derrough, he gave SS/L a better multiple, notwithstanding Orbital Sciences' more steady, or regular, government business as its main source of revenue. I also discounted Chanin's evaluation of SS/L because so much of the value, in fact all of the value for the company, was placed

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on the final projected year, 2008, to determine the DCF terminal value. While I accept that the projections underlying the current going concern valuations of the debtors are reasonable, I note that it is only in that last year that there is positive EBITDA for SS/L. And given the uncertainties of the contracts in this business and, for want of a better word, the lumpiness of its cash flow projections given the nature of that business in which very substantial contracts require very substantial outlays of expense, I thought that the Chanin midpoint valuation should be discounted accordingly.

The second segment, if you will, of Ltd. for valuation purposes is the FSS business. There, the three investment bankers' valuations were much more comparable. Each investment banker recognized that each of the three traditional valuation methodologies could be applied. That is, there were comparable transactions as well as comparable companies with which to measure FSS's value, and, therefore, those two methodologies could be added to a DCF valuation. The mid ranges on FSS for Chanin, Greenhill and Jeffries were

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$470.6 million, $392 million, and $442.3 million respectively. The main difference among the investment bankers with regard to their valuations was the weighting of the three methodologies. Chanin placed considerably more weight on the DCF valuation, weighting the other two at 20 percent each, with a DCF weighting 60 percent. Greenhill's valuation weighted each of the three methodologies equally, and Jeffries had a slight preference for the DCF valuation, going 30, 30 and 40 percent, with 40 percent being accorded to its DCF methodology.

I chose a valuation for FSS of $440 million, which is slightly over the average of all three. It seemed to me that this was justified for a couple of reasons. First, I did not accept Chanin's giving 60 percent of the weight to DCF, which it did, according to Mr. Belinsky, to reflect the growth in the business that is being projected. It seemed to me that this was somewhat skewing the value toward a more risky valuation. I did this also noting that Chanin nevertheless had a somewhat higher EBITDA multiple for its DCF valuation than either of the other two bankers.

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There are two other elements of the valuation. The first is a projection of available cash at confirmation, and here there was roughly a 70 million dollar swing between the experts. That was largely attributable to the view of Mr. Derrough and his colleagues at Jeffries that, given the nature of SS/L's business and its cash needs, it would need to retain a hundred million as opposed to 50 million dollars of cash to be comfortable about conducting that business. Chanin projected $180 million of cash for SS/L and FSS and other sources being available for creditors, Jeffries $117 million, and Greenhill $190.35 million. I saw some merit in Jeffries' argument about SS/L's cash needs, particularly given the testimony about the lumpiness of SS/L's cash flow, and therefore I chose an exit cash figure of 150 million dollars.

The parties dropped into a basket labeled "other assets" three main assets that they ascribed -- or some of them ascribed -- value to: Loral's interest in XTAR, unused orbital slots, and SS/L's and other debtors' interests in real estate, but primarily, if not exclusively, SS/L's

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headquarters in Palo Alto, California. The spread between the experts here was fairly large. Chanin projected $217 million dollars of value in the other assets category, Jeffries $114 million, and Greenhill $143 million. The main differences were primarily in respect of unused orbital slots, which Chanin valued at a midpoint range of $50 million dollars, as compared to Jeffries' $5 million, and Greenhill's $13 million.

Frankly, based upon Loral's past history of being unable to sell unused orbital slots alone, as opposed to in connection with a satellite order, I was originally prepared to put zero dollars weight on this asset. However, Greenhill itself gives some value to them, and Mr. Christ introduced some basis for ascribing value to them, although indirectly connected to related satellite orders. I ascribed therefore 10 million dollars value to them in the end.

As to the XTAR interest, the spread is between $152 million, as valued by Chanin at its mid point, $108 million by Jeffries, and $130 million by Greenhill. The main difference with respect to the experts' valuation of this asset is

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the percentage that they applied to the weighted average cost of capital used in their DCF valuation. Jeffries' low valuation of $108 million was attributable to a relatively high WACC, which is attributable, in turn, to its view that XTAR would likely be financed only through equity financing, and is still a risky and uncertain investment that has not fulfilled yet, or even come close to, its projections or potential occupancy. On the other hand Chanin chooses a WACC that treats it much more like any other proven satellite asset of FSS and financeable with debt. Greenhill is closer to Chanin, but in the middle.

There was no particular reason given for Chanin's confidence in the XTAR asset, and its criticism of Jeffries was misplaced, in that it does appear that Jeffries revised its valuation upwards once XTAR went into service. In light of, however, the aggressiveness of Jeffries' discount, I took Greenhill's DCF number and added to it a little bit, but not much, and came up with a total value of $135 million. Therefore, for the other assets generally, I ascribed a value of 150 million. This leads to a total enterprise value of

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970 million dollars for Ltd. as a going concern.

I've given an explanation of how I got to most of those numbers, but let me add a little bit more on points raised by the LSPC. It points out that Mr. Schwartz, and the LSPC are in agreement about one thing, which is the value of SS/L. In October of 2003, when the parties and the court were focused almost exclusively on the proposed sale of Loral Skynet, or Loral's North American satellites, to Intelsat, Mr. Schwartz did his own not much more than back of the envelope valuation of the assets that would survive the Intelsat transaction. He subsequently testified that his valuation of SS/L, then and now, is driven, in his mind, by a different methodology than any of the three investment banker experts recognized, which is by simply multiplying SS/L's revenue by a factor of one. And when pressed by Mr. Christ, Mr. Schwartz acknowledged that he still believes that SS/L could or should be worth roughly one times revenue or something close to 450 to 500 million dollars.

By the way, Mr. Schwartz's back of the envelope pro forma valuation of Loral after the

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Intelsat sale was approximately 1.48 billion dollars and included the type of valuation of SS/L that I just discussed. Mr. Robins, on behalf of Greenhill, pointed out that he disagreed with Mr. Schwartz's revenue multiple valuation approach for SS/L, noting in particular that such an approach doesn't make a lot of sense for SS/L, especially with its lumpy revenue projections, which are driven by the type of project cash flow that it tends to experience in connection with its business. Mr. Schwartz acknowledges his difference with the experts, and also acknowledges that, but for the Boeing-Hughes transaction, there are really no meaningful transaction comparables. Mr. Robins also pointed out that there are or have been significant changes in Loral since October of 2003. Many of those would appear to be for the better; however, in October of 2003, he testified FSS's projected EBITDA was considerably higher than it is now, SS/L's projected revenue was higher, and there was a projection of a hundred million dollars value for SatMex, which is currently in a bankruptcy case here as well as in Mexico. But more importantly, I conclude that Mr. Schwartz's valuation, which the

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LSPC has adopted, may be a legitimate valuation by a businessman who has, throughout his career, taken risks both for the good and the bad, but is not a reliable measure of valuation for purposes of the Section 1129(b) valuation that I must conduct.

The Federal Rules of Evidence permit a lay person to give an opinion as to value when he is the owner of the property, but instructs the judge to give that valuation whatever weight he or she thinks is appropriate. In this case, I relied on the three experts for each of the contending parties over Mr. Schwartz's valuation.

I also should address briefly the so-called expert report prepared in draft form by Jeffries in October of 2003, which was not used as a basis for expert testimony in connection with the Intelsat hearing or for any other expert testimony. And according to Mr. Derrough's testimony, it was not based on any sort of valuation conducted in any meaningful way of the non-Intelsat assets. I accept Mr. Derrough's testimony, which included a fairly credible reference to his learning at the time, or shortly thereafter, of real concerns about SS/L's future, which, fortunately, since then have

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been alleviated as a result of, among other things, the new satellite orders that I referred to earlier. That testimony leads me to accept Mr. Derrough's assertion that this draft report was not a real valuation of a the non-Skynet assets or one that I should rely on.

I have not discussed yet my reason for placing a low valuation on Loral's real estate, which again, is primarily SS/L's Palo Alto headquarters. While it may be the case that that real estate is worth a considerable amount of money on a liquidation basis, I don't see much of a prospect of realizing any value from it as long as SS/L remains an ongoing business. And as I said earlier, I believe that my valuation of SS/L is driven primarily by that assumption. I ascribed a 5 million dollar value to the real estate. And frankly, even that I believe was generous, because it was based solely on an assertion by Mr. Belinsky that he had talked with a leveraged-leasing expert who argued that a sale/leaseback of the real estate was feasible, although I saw no real underpinnings of that analysis. Chanin's midpoint for the real estate was $15 million; the other experts ascribed

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no value to it. And again, that valuation is on a going concern basis. As Mr. Dewitt very credibly testified, SS/L could not move out of its headquarters without seriously jeopardizing the performance of ongoing contracts because of the very special equipment that is maintained there. In addition, it is obviously a preferred location attractive to the very special and highly qualified engineers and scientists and others that SS/L employs in building satellites. One cannot assume SS/L could maintain its business while selling and moving its headquarters.

The equity committee and the LSPC raised other sources of potential value without ascribing any particular dollar amount to them. These included patents and patent litigation, potential new developments in technology, and tangentially, potential new markets such as in China and elsewhere. With regard to the patents, I have already discussed that matter: Loral has not been able to sell them, and although Chanin notes that there has not been a formal investment banker process for selling them, someone at Chanin also noted that the one offer received, for roughly $300

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thousand was at arms length. As far as the patent litigation is concerned, it appears to be a long shot to me, particularly given the nature of the patents at issue. But what I did not say generally about the patents is that the uncontroverted testimony appears to be that the patents are useful only for Loral's technology and that its competitors use their own developed designs and patents, thus reducing the sale value of the patents considerably.

As far as potential new technologies and new markets are concerned, I believe that those possibilities, not being concrete enough to be projected at this time, are not properly in the valuations, except as they may appear in a comparable company or precedent transaction valuation, and that, beyond that measure, I cannot give any particular dollar value to them, noting that the experts have not either.

Mr. Christ raised one final point which deserved careful consideration. It is that, in his view of what SS/L's expenses should be and what they could be, the projected expenses for SS/L that underlie the business plan are too high, in

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his view, by approximately 20 million dollars. Obviously if that were the case, the valuation of SS/L would increase considerably, because that 20 million dollars would go right to increasing SS/L's EBITDA, which serves as the primary basis for each expert's DCF valuation of SS/L. Mr. Dewitt provided some corroboration of that view for SS/L's expenses in his testimony, in which he, as SS/L's president, said that in his view he thought SS/L's SG&A expense was approximately 21 million dollars. However, he acknowledged that that figure did not include any corporate allocation to SS/L and was not otherwise a complete figure.

I've reviewed Debtors' Exhibit 24, including Bates-stamped pages 050276 and 050282, and it does appear to me that there are additional categories of expenses that would not be included in Mr. Dewitt's 21 million dollar number. I also note that the roughly 43 million dollars of SS/L expenses in the projection was vetted by Greenhill, Jeffries and Chanin in their due diligence on the debtors' business plan, and I find it unlikely that those parties would have overlooked or obfuscated such a conspicuous discrepancy. Therefore I feel

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constrained to accept that expense number as the actual number that should be in the projections, and, therefore, do not adjust the core valuation of SS/L that I alluded to earlier.

Based on a 970 million dollar enterprise value for Ltd., the debtors at the parent company level are insolvent, whether one applies a contract rate of interest or a Federal judgement rate of interest to the unsecured claims. Nevertheless, let me briefly address that issue, because it has been addressed by the parties and is one of the two additional factors that the equity committee contends ultimately renders the debtors insolvent.

Section 502(b)(2) of the Bankruptcy Code disallows claims for unmatured interest. Notwithstanding that fact, the courts have long recognized that where a debtor is solvent, it is inequitable and improper for shareholders to recover before the debtors' unsecured creditors receive postpetition interest. To permit such a recovery by shareholders would give them a windfall at the expense of the unsecured creditors who have had to wait through the course of the case to

receive their distributions. This "solvent debtor rule" has two bases recognized by the courts. The first is in Section 726 of the Bankruptcy Code, which flows through Section 1129(a)(7)'s best interests test. Section 726(a)(5) provides for payment of postpetition interest at the "legal rate" to unsecured creditors before recovery by the debtor or its shareholders. In addition, the courts have long recognized the right of unsecured creditors to receive postpetition interest under the fair and equitable rule as part of the cramdown standard. The equity committee really does not dispute that fact, but argues that, under the circumstances as it's fair and equitable that unsecured creditors receive postpetition interest at the Federal judgment rate of 1.1 percent rather than at their contract rate.

The fair and equitable basis for postpetition interest goes back at least to the Supreme Court's decision in Vanston Bondholders Protective Committee versus Green at 329 U.S. 156 (1946), although it reaches back to cases before the turn of the century. That basis was referred to by Congress in the legislative history in

connection with its amendment of Section 1124(3) of the Bankruptcy Code a few years ago, which further confirmed a fair and equitable basis for the solvent debtor rule. See 140 Cong. Rec. H 10,768 (October 4, 1994) ("Specifically, courts have held that where an estate is solvent, in order for a plan to be fair and equitable, unsecured and under secured creditors' claims must be paid in full, including postpetition interest, before equity holders may participate in any recovery. See, e.g. Consolidated Rock Products Co. v. Dubois, 312 U.S. 510, 527, 61 S.Ct. 675, 685 (1941); Debentureholders Protective Committee of Continental Inv. Corp., 679 F.2d 264 (1st Cir.), cert. denied, 459 U.S. 894 (1982) and cases cited therein").

In my view, given that fair and equitable basis, and going back to the Vanston Bondholders case, which expressly noted that "It is manifest that the touchstone of each decision on allowance of interest in bankruptcy, receivership and reorganization has been a balance of equities between creditor and creditor or between creditors and the debtor," 329 U.S. at 165, the court has a

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large amount of discretion in deciding what the appropriate rate of interest should be under a Chapter 11 plan for a solvent debtor. This is confirmed by the more recent cases dealing with the issue. When it decided the postpetition interest rate in a vacuum, as a declaratory judgement matter, in In re Dow-Corning Corporation 237 B.R. 38 Bankruptcy Court Eastern District of Michigan, 1991, and considered only the right to postpetition interest under 726(a)(5), the court applied the Federal judgment rate. However, later in that case, when faced with a specific plan, both the Bankruptcy Court and the District Court determined that the contract rate was the appropriate rate of interest. See In re Dow-Corning Corporation 244 B.R. 678 Bankruptcy Court Eastern District of Michigan 1999, as well as the District Court opinion in a different aspect of the postpetition interest litigation in that case, which declined to apply the default rate, but made it clear that it was comfortable with the plain contract rate, which appears at 2004 US District Lexis 27989 Eastern District of Michigan 2002. Fairly recently Judge Walrath in the In re Coram Healthcare Corporation

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case at 315 B.R. 321, 346 Bankruptcy Court District of Delaware 2004 also confirmed this rule when she said, "we are not persuaded that Section 1129(b) requires the use of the Federal judgment rate for postpetition interest under a Chapter 11 plan of reorganization. Instead we conclude that the specific facts of each case will determine what rate of interest is fair and equitable." In that case the creditors, in her view, unduly delayed the case and otherwise engaged in conduct that she did not believe was appropriate and, therefore, she applied the lower rate. See also In re Anderson Carter 220 B.R. 411 Bankruptcy District New Mexico, 1998. The highest level of contrary authority that I could find, In re Cardalucci 285 F3d 1231 Ninth Circuit 2002, relied exclusively on Section 726(a)(5) and focused on intercreditor fairness, not creditor/shareholder issues, which again, is contrary to the basis for interest here, which is the fair and equitable rule. So, therefore, I believe that if it were important, postpetition interest here should be awarded at the contract rate, the non-default contract rate. I note, further, that in the so-called waterfall recovery

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analyses of both Jeffries and Chanin, the term "contract rate" is somewhat of a misnomer, in that a 6 percent rate is given for the SS/L debt, which, in fact, was not a contract rate but rather a compromise rate agreed upon by the SS/L creditors and the other unsecured creditors. According to the SS/L creditors, the rate they were entitled to was much higher than 6 percent, which is a fair compromise rate here.

Again, at a 970 million dollar enterprise valuation, I believe that the second issue raised by the equity committee as a basis for the shareholders being entitled to a recovery here also is moot. That is, even if Ltd.'s guarantee of the Orion bonds issued in December of 2001 were avoided, I believe that at a 970 million dollar valuation, there would be little to no recovery by the shareholders, and there would be no recovery assuming postpetition interest at the contract rate, and, if my math is right, no recovery at the Federal judgment rate either, although just barely.

But again, let me address this argument in more detail, particularly since the equity committee has made a separate motion for

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leave to bring litigation avoiding the 2001 Ltd. guarantee of the Orion bonds as a fraudulent transfer under Section 544 of the Bankruptcy Code, incorporating applicable state fraudulent transfer law.

The first question to ask, obviously, in this area is does the equity committee have standing to bring a fraudulent transfer claim? Clearly it does not unless in the exercise of the bankruptcy court's discretionary authority, it is granted standing to do so on behalf of Ltd.'s estate. As recognized by the Second Circuit, although not all circuits, official committees, at least official creditors' committees, as well as in some instances individual creditors, can be granted standing to pursue debtor causes of action if, after review by the court, they have shown that the debtor has unjustifiably refused to bring the action. See generally In re STN Enterprises 779 F2d 901, 904 Second Circuit 1985, as well as In re Housecraft Industries, USA, Inc., 310 F3d 64, 71 Second Circuit 2002, which noted that individual creditors might also receive standing, and further noted that the standard for

granting standing was basically met if three factors are satisfied. First, there needs to be a colorable claim that would provide for a recovery. Second, it needs to be shown that the action is likely to benefit the debtor's estate. And, third, that granting standing is in the best interests of the estate. See also In re America's Hobby Center, Inc., 223 B.R. 275 282 Bankruptcy Court Southern District New York 1998.

At least as regard to the two latter determinations, the court should reach its conclusions after holding an evidentiary hearing. See STN, 779 F2d at 905.

As stated by the STN court, the bankruptcy court "should assure itself that there is a sufficient likelihood of success to justify the anticipated delay and expense to the bankruptcy estate that the continuation of litigation is likely to produce." Id. at 906. Here I considered both the merits of litigation, and had the advantage of hearing a significant amount of evidence on that issue, as well as the benefits of the litigation to the estate and whether its pursuit is in the best interest of the estate.

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Before turning to those issues, I should address a second-tier standing issue that has been raised by the debtor, the creditors' committee, and the relevant indenture trustee, which is the standing of an equity committee to bring fraudulent transfer litigation on behalf of the estate, as opposed to creditors. Here there is apparently a direct conflict in the case law between a bankruptcy court on the one hand, and a district court on the other. In In re Revco DS Inc., 118 B.R. 468 at 475 Bankruptcy Court in the Northern District of Ohio 1990, the court refused to give the shareholders standing to pursue fraudulent transfer claims, taking the view that fraudulent transfer recoveries are only for the benefit of creditors, not for shareholders. And that is in contrast with 9281 Shore Road Owners Corporation versus Seminole Realty Company 187 B.R. 837 851 Eastern District New York 1995, in which the court noted the difference between the fact that outside of bankruptcy only creditors can bring fraudulent transfer litigation and its view that in bankruptcy fraudulent transfer litigation can be brought for the benefit of all parties, including

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shareholders, because it's brought on behalf of the estate as opposed to creditors. That view, in my mind, comports with the plain language of Section 550 of the Code which refers to recoveries from avoidance litigation, including litigation under Section 544, as being for the benefit of the estate, and since recoveries here are generally fungible, given that the secured debt was paid off long ago, I believe that, in this situation, the equity committee would have standing or would not be barred from pursuing a cause of action if I permitted it to do so, because it was an equity committee as opposed to a creditors' committee. There may be situations where that conclusion would be changed by the equities of the case, but here, where the committee is representing largely public shareholders, the committee, if given standing, would not be prevented from pursuing a claim, I believe, because of its status as an equity committee.

That however, does not answer the question, because, based on my evaluation of the merits, and my weighing of the benefits to the estate as against the potential harm to the estate

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of bringing the litigation, I conclude that the litigation would not be in the estate's best interests and the committee's motion should be denied. The only valuation prepared in connection with the proposed challenge to the 2001 exchange offer and the guarantee given by Ltd. in connection therewith was prepared by Mr. Robins at Greenhill. He based it on the debtors' projections at the time, which Mr. Townsend, who was very involved with those projections at the time, testified were reasonable and achievable based on historic trends of EBITDA and revenue, and which Mr. Robins, perhaps not with the care with which he professionally vetted the current projections, but nevertheless professionally, vetted in discussions with management, by looking at the companies' projections and performance, and by reviewing analysts' reports. In particular, Mr. Townsend testified that notwithstanding 27 percent growth of EBITDA between 2000 and 2001 for Orion, Orion and Loral projected 15 percent growth for EBITDA in 2001 to 2002, going down to 11 percent in the next year, and generally flattening out thereafter. He testified that he as the companies' chief financial

officer had no concern regarding the ability of Orion to make its debt payments after the exchange offer, which were substantially reduced; and he also did not have any concern also that Ltd. could not pay its debts when due.

Based on the company's projections, Mr. Robins did a DCF analysis of Orion which showed it to be quite solvent. And he similarly did an analysis of Ltd. which also showed it to be solvent on an enterprise basis as of the time of the exchange offer. Based on Mr. Robins' analysis, Orion was solvent by 111 million to 328 million dollars on a going concern basis with $217 million of solvency as the mid point. Based on the DCF analysis, Ltd. was solvent between 530 and a billion 40 million dollars, which was also considerably below the market capitalization at the time of the exchange offer. Mr. Townsend had also testified as to the benefits of the exchange offer. And he testified the guarantee by Ltd. was a necessary and integral part of that exchange. He noted that Orion, before the exchange offer, was facing the fact that in the next year it would have to pay a considerable amount of interest that it

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previously had been paying in kind, and although the company believed it had measures to ensure the payment of Orion's debts, there was considerable uncertainty about being able to meet them given their increase in 2002.

In addition, a default on the pre-exchange Orion debt would trigger cross acceleration provisions in the bank debt that was secured by Loral's satellite assets, and therefore trigger the acceleration of over 500 million dollars of secured bank debt. Moreover, the exchange offer cannot be viewed in a vacuum, it was part of an integrated strategy of delevering Loral, which included extending the maturity of bank debt which was coming due in respect of 535 million dollars in 2002. Because of the exchange offer, again of which the Ltd. guarantee was an integral part, the next day that bank debt was extended to a new date coterminous with the Orion bonds. In addition, following the completion of the exchange offer, Orion's debt was reduced by approximately 230 million dollars, and its annual interest burden was reduced by approximately 39 million dollars.

These changes not only benefited

Orion, but also Ltd. As Mr. Townsend testified, although obviously Ltd. itself, before the issuance of the guarantee, was not legally obligated for Orion's debt, that fact was "interesting but not persuasive" to lenders and the rating agencies who viewed the enterprise on a consolidated business, noting that their businesses were interrelated, not only by the cross-acceleration and default provisions I alluded to earlier, but also by the fact that, as a business matter, they were interrelated.

It appears that the exchange offer, including the Ltd. guarantee of the new Orion bonds, was discussed over many months and at length by both Orion's board and Ltd.'s board. Those discussions as memorialized in the minutes introduced into evidence, contain two somewhat troubling remarks by Mr. Schwartz that pertain to my evaluation of the transaction. First, and I believe this was in a July 2001 meeting, he noted some competition and a general downturn in the satellite business, as well as some softening, at least in the data business, at Orion. However, it appears that Orion's primary business continued to

meet or come close to meeting its projections for 2001, absent the data business, which was transferred out of Orion in connection with the exchange offer. The equity committee has also made or tried to make much of a reference to a solvency discussion found in the board minutes; however, I do not believe that the reference to a solvency discussion at all indicates anything more than a reasonable question raised by the board, which any board should raise with regard to a transaction of this nature. It appears to have been addressed by a discussion led by the treasurer, who was primarily focused on how to pay ongoing obligations, as well as by counsel.

There was not much inquiry by either party, by the equity committee or the company in the trial, with regard to whether Orion was adequately capitalized after the exchange offer. However, in the light of particular concerns that were raised by the LSPC, I find as follows: First, having purchased its satellites that underlay the projections before the exchange offer, Orion did not have significant projected capital expense obligations. Second, it was aware of the so-called

"solar array problem" with regard to some or all of its satellites; however, there is no showing that that problem was not already factored into the projections. And based on my review of the 10(k)s, I believe it was factored into them. Additionally, I believe that the lack of a complete range of transponders for Telstar 12 was also factored into the projections. And finally I believe that the problem with Telstar 11 having one year less life than anticipated, arose after the exchange offer and was not reasonably anticipated at the time. Given all the foregoing, it appears to me that Orion did not have material capital expenditures and therefore was not inadequately capitalized at the time of the exchange offer.

I've been focusing on the time of the exchange offer and particularly immediately after the exchange offer and Ltd.'s issuance of the guarantee, because that is the time that one must consider solvency in connection with a fraudulent transfer claim. In particular, one should be careful not to be caught up in hindsight in conducting a solvency analysis, although it is appropriate to do some comparison between

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projections and actual results to see if the projections were unreasonable. See generally In re RML Inc. 92 F3d 139, 155 Third Circuit 1996 and Lippe versus Bairnco, 249 F.Supp. 2d 357 380 S.D.N.Y. 2003.

Here it seems to me, although we did not have a full trial on the fraudulent transfer issue, that Mr. Robins' valuation was quite credible and that it would be difficult for the equity committee to overcome it. In trying to meet its burden in respect to the STN factors, the committee offered up Mr. Belinsky's critique of Mr. Robins' 2001 analysis; however, that critique was flawed in a number of respects. First, the critique merely involved applying a 33 percent discount to EBITDA, as used by Mr. Robins, and otherwise followed his valuation to the letter. Mr. Belinsky adopted the 33 percent discount approach to the projections upon which Mr. Robins' 2001 valuation was based because he believed that such projections were highly flawed.

Mr. Belinsky did not do his own due diligence on the projections however, but relied only on two things: one, his recollection or

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someone at Chanin's recollection that Mr. Townsend had told them during their due diligence that the company was very aggressive in its projections at the time and historically before then. Mr. Townsend's testimony before me, however, did not go nearly that far in reference to the projections either on direct or cross, as noted above. In addition, Mr. Belinsky compared the November 2001 projections versus actual results for 2001, 2002 and 2003. However, this comparison, as well as his 33 percent methodology was itself flawed in two respects. First of all, he applied his 33 percent discount not only to the projected numbers, but also to Orion's actual EBITDA for 2001, minus the negative EBITDA for the data business. This discounting of an actual number resulted in a significant understatement of Orion's value. The equity committee tried to overcome this flaw at oral argument by suggesting that the actual number was only a projection and therefore should be appropriately discounted as a projection, which logically didn't make sense, but even if one were to take that approach, one should have then taken the original projection, which was considerably

higher than the 105 million dollar actual amount that Mr. Belinsky applied a 33 percent discount to.

In addition, in showing variations from projected performance, Mr. Belinsky added in the data business, which had a 20 million dollar negative EBITDA in 2001, whereas the data business was actually transferred out of Orion as part of the exchange offer. Finally, even the actual versus projected variances for the key measures of EBITDA and revenue as shown on Committee Exhibit 45, were lower than 33 percent for 2001 and 2002.

Given all the foregoing, I do not accept that a 33 percent automatic discount of the projections, let alone any discount as against actual 2001 EBITDA, was reasonable; moreover, it does appear to me that there is a logical explanation for why Ltd. and Orion's performance sharply declined in mid 2002, which is, as testified to by the business people for Loral, the severe downturn in the industry and the lack of orders for satellites. Therefore, again, while I accept that it may be appropriate to compare projections at the time of the allegedly fraudulent transfer with actual results to see if those

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projections were unreasonable and therefore that the actual value was much lower as of the time of the transfer than the value based on the projections, I believe that it was here an intervening and uncontemplated set of events that lead to the ultimate failure of the business plan and Loral's going into bankruptcy.

Because Orion appears to have been solvent, I believe it was proper for all the parties, including Chanin, not to double count the Ltd. guarantee, that is to treat it as one liability on a consolidated basis. See In re Xonics, 841 F2d 198 Seventh Circuit 1998.

I should also note that what is at issue here is a "downstream" guarantee, which traditionally is viewed as immune to fraudulent transfer attack because of the parent's interest in its subsidiary. There is a recognized exception to that rule, although the cases applying it are very few. And they are basically In re Rodriguez 895 F2d 725 11th Circuit 1990 and Commerce Bank of Kansas City versus Achtenberg 1993 US District Lexis 16136 District Court Western District of Missouri 1993. Both of those cases point out that

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where a subsidiary is insolvent or clearly insolvent at the time, the parent's incurrence of an obligation, or a transfer by it on behalf of a subsidiary does not confer any direct benefit on the parent, and therefore, could be a fraudulent transfer. However, in both of those cases, the insolvency of the subsidiary was stipulated. That's clearly not the case here.

In addition, there appears to have been both direct and indirect value afforded to the parent, Ltd., as a result of and in conjunction with its granting of the guarantee. The direct value is the value to its equity in Orion -- a 229 million dollar debt reduction and annual interest expense reduced by a $39 million annually. The indirect benefit, which is well recognized under the case law, including in the Second Circuit, see HBE Leasing Company versus Frank 48 F3d 623 638 Second Circuit 1995, was also considerable. I've already discussed that the facts that the markets and the rating agencies and lenders viewed Loral on a consolidated basis, and the cross-defaults and cross-acceleration provisions and the related bank loan extension transaction that occurred a day

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after the exchange offer and Ltd.'s guarantee all meant that the exchange offer and guarantee provided considerable value and indirect benefit to Ltd., which in my mind clearly exceeded the negative impact of the Ltd. guarantee at the time. Because of the unusual nature of a "downstream" guarantee being the subject of a fraudulent transfer attack, I gave little weight to the argument by the equity committee that the absence of a contemporaneous solvency opinion is a bad fact here. Mr. Belinsky acknowledged that his firm, to his knowledge, had never rendered a downstream guarantee solvency opinion, and he had never seen one.

I do not give much weight either to the other so-called indicia of insolvency that Mr. Belinsky referred to in his testimony. I note that, again, Chanin's views are not backed up by any sort of written work product or any market value or going concern enterprise analyses of Ltd. or Orion in the relevant time range. Instead, in addition to pointing to Orion's post 2001 performance versus its projections, Mr. Belinsky pointed to book value indicia that were indeed

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concededly negative, including the write-off, for GAAP purposes, of approximately 500 million dollars to comply with a new accounting standard applied industry-wide in 2002, and a history since well before the exchange offer of negative book income. Neither of those facts appear to have resulted in any reduced interest by customers in doing business with Loral or reduced borrowing prospects, which is not surprising, given that they had very little bearing on the company's actual ability to pay their debts when they come due. Those factors as well as the book accounting "liquidity" factors referred to in his exhibit, Mr. Belinsky acknowledged, had never appeared in a solvency opinion that he or his firm had written, and wouldn't appear in a solvency opinion if one were to be prepared in connection with this matter. It wasn't clear to me, therefore, how they would "inform the opinion," as he testified, except as some sort of nebulous confirmation of whatever else the opinion contained.

Of similar relevance, or irrelevance, is the trading value of Orion's and Ltd.'s debt and equity securities before and after

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the exchange offers. In my view, the negative trading value before the exchange, the spike in the trading value of the bonds after the exchange and the subsequent decrease in the trading value in the summer of 2002 is not particularly telling, particularly given the fact that prices lowered in 2002 after a revised forecast by Ltd. in light of its realization that satellite orders were not coming in as they had previously been expected. Similarly, the very positive market cap on the equity securities is not particularly telling, either. Although it's often taken as gospel that market pricing levels of debt and equity trading are indicia of value, the very fact that people are in the market to make substantial profits suggests that, on a trading basis, those trading values are not to be particularly relied upon, at least for short term valuations. And Mr. Belinsky acknowledged as much by noting that, again, at most such information would be informative of or colorable to a solvency opinion if he were to render one.

All things considered then, although there wasn't obviously a full trial on the issue of

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solvency, or of fair consideration or reasonably equivalent value, it's clear to me that the equity committee would have a very difficult row to hoe if it were to pursue this litigation. I note that even if I were somewhat off in my 2005 valuation, it would also be pursuing litigation largely for the benefit of the unsecured creditors, who very much do not want it to be pursued. Therefore, even if the equity committee would have standing, notwithstanding it being an equity committee, I can't ignore the fact that based on my $970 million valuation of Ltd. in 2005, or as of June 30, 2005, most, if not all, the recovery would go to the benefit of the unsecureds.

In addition to the unsecureds not wanting the litigation to be pursued, as I said at the beginning of this opinion in the portion of it which is under seal, the company has given very good reasons why the pursuit of litigation and the delay of Ltd.'s emergence from Chapter 11 would be a real determent to the debtors' business. And consequently I believe that the pursuit of the litigation is not in the best interest of the estate and creditors and does not meet a

cost/benefit analysis, as required by STN and its progeny. Therefore I will deny the motion by the equity committee for leave to have standing to pursue the fraudulent transfer litigation.

I do that without additionally considering factors going to the cost of litigation, which would not only include out of pocket costs, but also the additional postpetition interest that would accrue during the time the litigation was pursued. The equity committee has not quantified those costs, nor have the debtors, but I believe they would both be quite significant. And given, again, the unlikelihood of the shareholders seeing any benefit from a recovery, even if they were to obtain a settlement or some victory on the merits, those costs would just eat into the gap further.

Let me then address the final objection made by the shareholders to confirmation of the plan, which is the allegation that's long been made in this case, that there has been some form of unholy bargain between the debtors' management and the creditors' committee or the chairman of the creditors' committee. Mr. Schwartz

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was really the only witness on this point, and he testified that he has basically been involved in all of the substantive negotiations in this case, or kept very closely apprised of them when they were done by financial advisers or lawyers in the first instance. He stated that he negotiated the basic terms of the stock options granted to certain members of management, although not to Mr. Schwartz himself, in July of 2004, including the strike price at an estimated midpoint valuation of 700 million for the debtors.

It is my belief, based on the formulation of the plan as originally filed in connection with the creditors' committee negotiations, that the negotiation of the New Skynet notes did not occur until substantially thereafter. A major element, if not the only element of the "unholy bargain" argument is premised upon a presumed linkage between the New Skynet notes and the management contracts and stock options. But the timing doesn't seem to work. In fact, the New Skynet notes were still being negotiated up until shortly before the commencement of this hearing.

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In addition, Mr. Schwartz testified that the management contracts and the stock option package, in his view, (a), closely followed the form of those agreements that are in existence today as far as the management contracts are concerned, and, (b), were comparable to, and necessary to compete against, similar packages of executive compensation offered by the company's competitors and necessary to retain key employees. There was no real rebuttal of those points. It's obvious to me that the stock option grant is generous given my valuation finding. However, I note the following: first, it does not kick in immediately but spreads out in 25 percent segments, therefore in effect binding key employees to the debtor over time. Secondly, largely at my instigation, the Key Employee Retention Plan originally proposed by these debtors has not been revised as far as the senior management is concerned. I took Mr. Schwartz's testimony as to the need for these contracts and stock options, in part to be to fulfill, the commitment, which had not heretofore been fulfilled, to retain key employees. And in effect management has been

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waiting for this for about a year and a half.

So in that sense, while normally one would see stock options tied to the future appreciation of the company's value after emergence from Chapter 11 and thereafter, I view the stock option program here as part of fulfilling an unfulfilled promise to the employees for sticking around during the case.

I certainly understand the LSPC's dislike of such compensation, particularly the stock options, given the treatment that shareholders are receiving under the plan; however, as a technical legal matter, I believe that management is receiving this compensation here not because they are shareholders but because they are managers. And I note that they are receiving it with the agreement or lack of objection by the future owners of the company, its unsecured creditors, who I do not believe received any improper quid pro quo for that agreement, but, rather, had reached the view that they were willing to have such compensation be paid to management because they wanted that management in there working for Loral and believed it was necessary to

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keep them.

I note that given the renegotiation of the plan in light of the settlement with the SS/L creditors, the creditors as a whole had the opportunity, if they wanted to, to renegotiate the management arrangements, and they chose not to do so. Again in my view that means that they are doing it for their own business purposes and not for any other sort of quid pro quo. As far as the New Skynet Notes are concerned, there is very little, if any, testimony by Chanin as to whether and why, particularly as revised, they were still clearly not at market as alleged by Chanin. And while it is clear that the interest rate was not in and of itself negotiated, the terms of the notes, including the basket for other secured debt and other features that took it into the high yield range, occurred before the confirmation hearing began. In any event, it is appears to me that to the extent that those notes are not market priced, and we will see if that's the case or not when they're issued, because there is really very little evidence in the record to show whether they're at or over the market price, it appears to me that the

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difference in the grand scheme of things in the overall valuation of these companies is not material.

So, based on that analyses and there being no other allegation of any other sort of an unholy bargain, other than some ambiguous language, in my view, in the disclosure statement pertaining to the revision of the debtors' business plan after discussion with the creditors' committee, I find that the plan meets the good faith requirement under Section 1129(a)(3) of the Bankruptcy Code and therefore should be confirmed.

So, Mr. Karotkin, to continue, I don't know if I've seen a proposed confirmation order.

MR. KAROTKIN: No, sir.

THE COURT: You should circulate one.

MR. KAROTKIN: Yes, sir. We didn't want to be presumptuous.

THE COURT: And as I recall from your remarks at the start of the trial, you had resolved the other plan objections except for some language you were still working out with the U.S.

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Trustee and the creditors' committee.

MR. KAROTKIN: Yes. Actually as to the U.S. Trustee, we had resolved that language and I believe that was reflected on the record and we had also resolved the language as to the creditors' committee on the record I just wanted to point out as to the objection filed by the ERISA plaintiffs.

THE COURT: Yes.

MR. KAROTKIN: What we have agreed is that that objection will be addressed as part of the claims resolution process and we have agreed that it will be withdrawn as an objection to confirmation without any prejudice to any of their rights, and we have no problem with that.

THE COURT: So what does that mean with regard to Section 510, that language? Is that still open for argument?

MR. KAROTKIN: Yes. That won't impact the ability to go effective or not go effective.

THE COURT: Is that correct, Mr. Etkin?

MR. ETKIN: Yes, your Honor. All issues as to classification and subordination are

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reserved for the claims resolution process.

THE COURT: All right.

MR. KAROTKIN: So we'll be happy to circulate a revised order to each of the committees, we'll hopefully get that out tonight.

THE COURT: Okay very well thank you.

MR. GOLDEN: Your Honor --

MR. KAROTKIN: The only other matter I guess, your Honor, is the order that you entered permitting the complaint to be filed.

THE COURT: Well, that I think by its terms is of no effect at this point except that it reserves an issue, in effect, on appeal.

MR. KAROTKIN: That's fine. Thank you, sir.

THE COURT: So once the order is entered, the parties can go and argue in the District Court about what that means.

MR. KAROTKIN: Very well. Thank you, your Honor.

THE COURT: Okay.

MR. WOLFSON: Your Honor.

THE COURT: I guess you owe me two

orders then.

MR. KAROTKIN: Yes, sir.

THE COURT: Okay.

MR. GOLDEN: Your Honor, I'm sorry. I don't mean to prolong this, but I'm looking at the order that Mr. Karotkin referred to, and the ordered paragraph in question is that the court's denial of the motion to prosecute may result in the immediate dismissal of the complaint. When we talked about it that day, I think you left open the possibility that you would rule on the automatic dismissal.

THE COURT: Well, someone is going to have to ask me for a stay, otherwise it will be dismissed.

MR. GOLDEN: So absent a stay, the complaint -- by virtue of the denial of the motion, the complaint will be dismissed.

THE COURT: Right.

MR. GOLDEN: Thank you.

THE COURT: But that's subject to the equity committee's request for a stay.

MR. GOLDEN: I understand. Thank you for your time and patience.

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THE COURT: All right. Thank you.

MR. WOLFSON: Thank you, your Honor.

C E R T I F I C A T E

STATE OF NEW YORK }
} ss.:
COUNTY OF WESTCHESTER }

I, Denise Nowak, a Shorthand Reporter and Notary Public within and for the State of New York, do hereby certify:

That I reported the proceedings in the within entitled matter, and that the within transcript is a true record of such proceedings.

I further certify that I am not related, by blood or marriage, to any of the parties in this matter and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this ________ day of __________________, 2005.

____
DENISE NOWAK